



Iowa Department of **REVENUE**

PERFORMANCE REPORT for Fiscal Year 2017

**Courtney M. Kay-Decker
Director**

AGENCY OVERVIEW

Mission

The mission of the Iowa Department of Revenue (IDR) is to serve Iowans and support state government by collecting all taxes required by law, but no more.

Taxes Established by Iowa Code

Taxes and Fees Collected and/or Administered

Individual Income Tax /Withholding	Consumer's Use Tax	Fuel Taxes
Corporation Income Tax	Retailer's Use Tax	Environmental Protection Charge
Franchise Tax	Hotel/Motel Tax	Inheritance Tax
Sales Tax	Local Option Sales Tax	Cigarette/Tobacco Tax
Replacement Tax	E911 Surcharge Fee	Hazardous Materials Permit Fee
Property Tax	Insurance Premium Tax	Real Estate Transfer Tax
One-time Fee for New Vehicle Registration	Car Rental Tax & Vehicle Title Surcharge	Miscellaneous Other Taxes

Vision and Guiding Principles

Governor Reynolds has outlined four goals for her administration:

- Creating a competitive business climate
- Developing the most innovative energy policy in the country
- Educating our children for a knowledge economy
- Training Iowans for the jobs of tomorrow

The Iowa Department of Revenue does its part to support and further those goals.

IDR established the following *vision* and *guiding principles* in its 2016-2019 Strategic Plan:

Vision

Iowa will be a state where it is easy to understand and comply with tax obligations.

Guiding Principles

Customer Focus

- We understand that Iowa taxpayers are our primary customers
- We collaborate and partner with both our internal and external customers
- We use technology to support our customers efficiently
- We maintain the public's confidence by safeguarding our customers' confidential information

Expertise & Education

- We provide information and recommendations to policymakers, local, and state government entities
- We support local governments through oversight of the property tax system and administration of associated credit funding, distribution of local option taxes, and sales tax increment programs
- We provide information and education necessary to facilitate compliance with Iowa's complex tax laws

Fiscal Management

- We are responsible stewards of Iowa taxpayers' money
- We responsibly manage our financial resources to fulfill our mission

Core Functions

IDR has four core functions:

REVENUE COMPLIANCE AND COLLECTION

The most visible aspect of the Department's operations is the administration of tax compliance and collection. This function includes educating taxpayers on tax laws and regulations, processing tax returns, and collecting taxes and other amounts due. It is in compliance with Iowa's tax laws that the Department conducts its taxpayer examination and audit programs and resolves disputed tax issues.

LOCAL GOVERNMENT ASSISTANCE

The Department provides support to local governments by administering just and uniform property assessments across the state. This function also administers programs for property tax relief including administration of the business property tax credit, local option taxes, school infrastructure taxes, and sales tax increment programs.

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

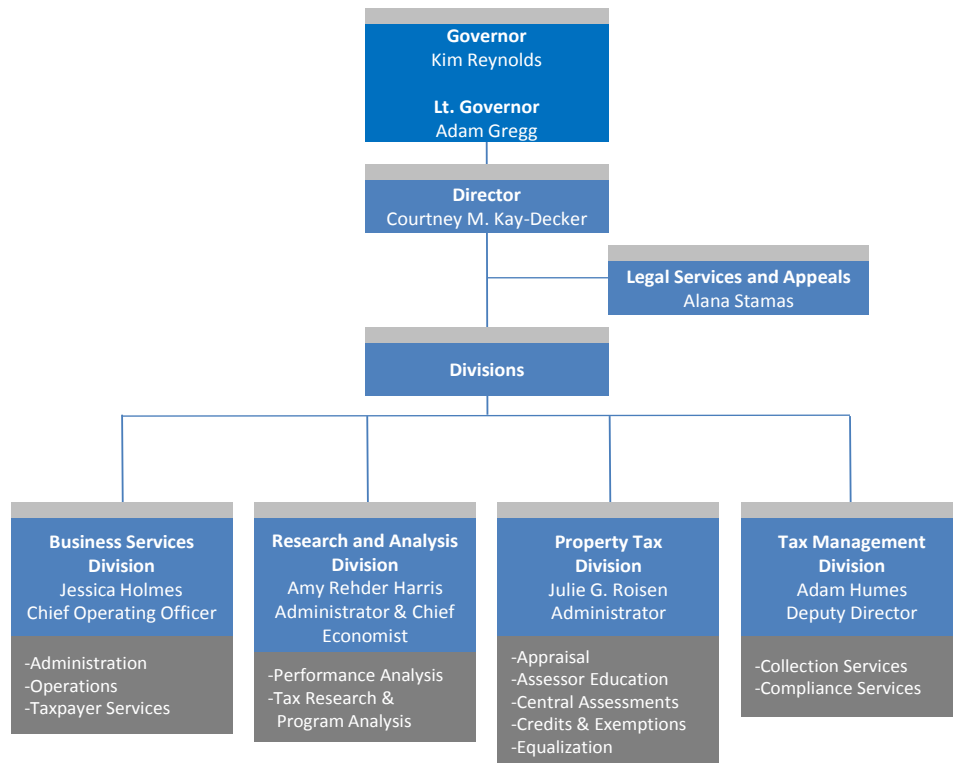
The Department performs tax policy analysis, fiscal impact estimation, statistical research, and economic analysis to help stakeholders understand the impact of Iowa tax laws and make informed decisions.

RESOURCE MANAGEMENT

The resource management function provides internal infrastructure support of the Department's operations, including oversight of technology development and support, project management, personnel management, and budgeting.

Department Operational Divisions

IDR has four operational divisions. The following chart is an overview of its primary organizational entities and the services they provide.



The Department includes one board for budgetary purposes:
The Property Assessment Appeal Board

Customers

IDR's customer base is, by its very nature, one of the largest of Iowa State government agencies. In addition to all persons with tax responsibilities throughout the state and nation, IDR works with all levels of State, local, and federal governments, tax practitioners, business groups, State employees, the Legislature, and other states' revenue agencies.

IDR deposits over 95% of the State's appropriable receipts. Other State agencies depend on timely deposits to provide the funds they use to operate. Externally, taxpayers expect timely processing of returns and refunds. Taxpayers also expect an audit billing to be accurate and understandable.

Each customer expects information and outputs to be disseminated timely, accurately, and clearly. This expectation holds true for both analysis and reports in response to external inquiries and internal questions.

Staff

The IDR Director is Courtney M. Kay-Decker. Director Kay-Decker was appointed by Governor Terry Branstad in January 2011. As of June 29, 2017, IDR had 276 full-time employees. There were 5 employees in the Sioux City field office and 12 employees in the Cedar Rapids field office. There were 21 teleworkers and the remaining 238 employees were domiciled in Des Moines. All IDR's contract-covered job classifications fall under the AFSCME bargaining agreement.

Goals, Measures, and Results

IDR's strategic plan identified three goals and a number of strategies to achieve those goals. This performance report summarizes the tactical steps taken toward achieving those goals. In the pages that follow, four noteworthy achievements are highlighted. The rest of the report summarizes the results of each measure identified in IDR's fiscal year 2017 performance plan.

KEY RESULT

Core Function: Revenue Compliance and Collection

Goal: Provide accurate, clear, and concise information to taxpayers

Description: IDR processes over 1.5 million individual income tax returns each year. Not all taxpayers who file an individual income tax return voluntarily pay their tax liability, and some taxpayers make errors in completing their returns. It is IDR's responsibility to accurately process the returns of taxpayers who filed correctly and bill those who have not paid or who calculated their tax liability incorrectly.

Why we are doing this: IDR strives to collect all dollars owed to the State and to provide the right information to taxpayers in the most efficient and effective manner.

What we are doing to achieve results: IDR created a taxpayer education focus using social networking, webinars, and in-person classes. IDR contacts taxpayers, tax preparers, and industry groups prior to initiating audit programs.

Results

Performance Measure:

Percent of tax known due paid for individual income tax within the three-year statute of limitations

Performance Target:

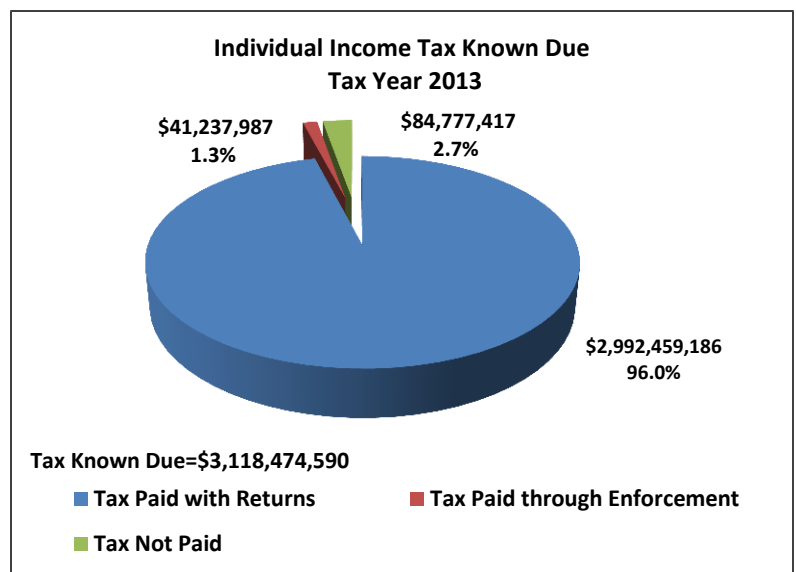
At least 95% of tax known due will be paid

What Was Achieved:

Within the three-year statute of limitations for tax year 2013, 97.3% of tax known due was paid with returns and through enforcement. "Tax Not Paid" is tax owed, but not collected within the three-year statute of limitations.

Sources:

IRIS individual return extracts, Collections reports and Business Objects queries of tax return data



KEY RESULT

Core Function: Revenue Compliance and Collection

Goal: Provide excellent customer service

Description: Percent of electronic and paper payments received by IDR deposited on the same day as received.

Why are we doing this: Prudent money management principles require that revenues be deposited as quickly as possible in order to maximize investment proceeds and cash flow and to provide for accurate accounting. The timely deposit of revenues ensures that funds are available for the continued provision of State government services for the citizens of Iowa.

What we are doing to achieve results: The Processing Services area of the Business Services Division deploys strategies to improve deposit of income tax, withholding, and sales tax during high-volume quarterly periods. IDR also provides easy access to electronic deposit of business taxes. In fiscal year 2017, 86.2% of receipts were deposited the same day as received. Most of the remaining 13.6% - generally paper checks that must be manually separated from a return - were deposited the day after receipt, and 99.7% were deposited within 14 days.

Results

Performance Measure:

Percent of payments deposited on the same day as received

Performance Target:

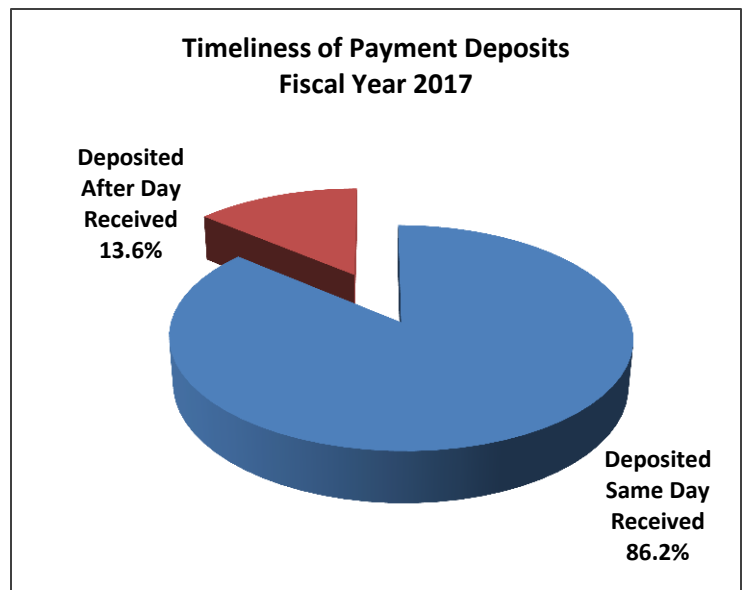
85% of payments received by IDR will be deposited on the same day as received

What Was Achieved:

86.2% of payments received by IDR were deposited on the same day as received

Data Sources:

Business Services Division reports and information systems



KEY RESULT

Core Function: Revenue Compliance and Collection

Goal: Provide efficient tax administration through technology and process improvement

Description: The Compliance Services area of the Tax Management Division reviews returns covering 14 major taxes established by Iowa law. The compliance team determines unpaid tax liabilities and bills taxpayers for the correct amount of tax.

Why are we doing this: Audits and collection efforts encourage voluntary compliance with Iowa's tax system. In order to reduce the need for future audits of the same taxpayer, audits are both educational and informative.

What we are doing to achieve results: The Tax Management Division integrates internal and external data to enhance compliance and enforcement.

Results

Performance Measure:

Revenue collected per dollar spent on enforcement

Performance Target:

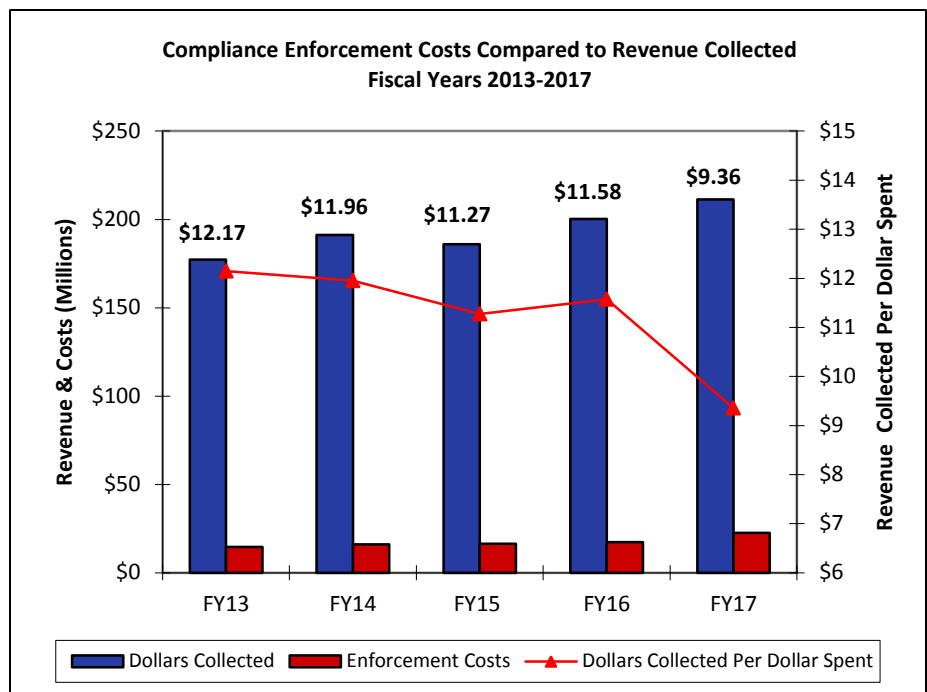
Collect at least \$9.00 for every dollar spent on enforcement

What Was Achieved:

IDR collected \$9.36 for every dollar spent on enforcement

Data Sources:

Compliance Services return on investment and cost-benefit reports, and Business Objects queries of tax return data



KEY RESULT

Core Function: Resource Management

Goal: Provide efficient tax administration through technology and process improvement

Description: Increase utilization of electronically filed income tax programs each year.

Why we are doing this: IDR views electronic filing of tax returns as an effective way to improve efficiency, while also facilitating more accurate returns for customers.

What we are doing to achieve results: For eligible taxpayers, IDR offers access to individual income tax return software with free filing. The various choices of individual income tax return software available for all taxpayers that can be accessed through the IDR website have been monitored to assure they are compatible with State tax forms and electronic filing systems. In addition, IDR promotes electronic filing to the general public and key customer groups, in cooperation with agencies and non-profit organizations throughout the state.

Results

Performance Measure:

Percent of electronically filed individual income tax returns

Performance Target:

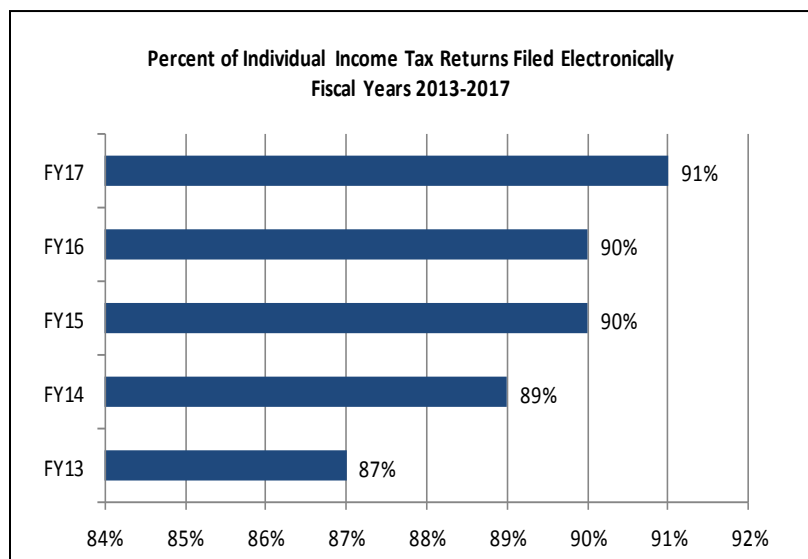
88% or more of individual income tax returns will be filed electronically

What Was Achieved:

91% of current year individual income tax returns were filed electronically

Data Sources:

Business Services Division reports and information systems



**Agency Performance Plan Results
FY 2017**

Name of Agency: Iowa Department of Revenue

Agency Mission: The Iowa Department of Revenue will serve Iowans and support state government by collecting all taxes required by law but no more.

Core Function: Local Government Assistance

Property Tax Division:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of jurisdictions within statutory assessment level tolerance	Equalization orders result in a median ratio of 95% to 105% for 100% of jurisdictions	100.0%	
2. Percent of timely responses to policy questions regarding property tax administration	98% of written policy letters communication with taxpayers and/or local government officials issued within one week	100.0%	
3. Percent of central assessments completed by the due date	100% of central assessments completed by October 31, 2016	100.0%	
4. Percent of required appraisals completed timely	100% of required appraisals completed during fiscal year	100.0%	

**Agency Performance Plan Results
FY 2017**

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Core Function: Local Government Assistance

Property Assessment Appeal Board:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of all appeals closed timely	90% of all appeals closed prior to second-half tax payment delinquency deadline	91.0%	
2. Final Agency Action Orders timely rendered following contested case hearing	100% of agricultural and residential appeals with hearings receive orders within 45 days; 85% of commercial, industrial and multi-residential appeals with hearings receive orders within 60 days	Combined agriculture and residential=70%; combined commercial, industrial, and multi-residential=48%	The Property Assessment Appeal Board was short one member for the first quarter of the fiscal year due to a retirement. Hearings and orders were delayed during this period. A transition period occurred once the new member was appointed. The Board has reexamined its goals and determined it more appropriate to base the goal on the value of the property at issue rather than the
3. Percent of appeals received electronically	75% of appeals will be filed electronically	70.0%	Taxpayers continue to adapt to the newly available electronic filing process.

**Agency Performance Plan Results
FY 2017**

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Core Function: Revenue Compliance and Collection

Tax Management Division: SPA (Services, Products, or Activities)			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of tax revenues received by electronic funds transfer	79%	80.4%	
2. Percent of paper individual income tax refunds requests not going to review issued in 60 days	85%	NA	We revised our processes in the 2017 filing season with additional layers of fraud review, so this measure is no longer applicable.
3. Percent of electronic individual income tax refund requests not going to review issued in 14 days	95%	NA	We revised our processes in the 2017 filing season with additional layers of fraud review, so this measure is no longer applicable.
4. Percent of billed accounts resolved within 180 days	70%	66.2%	An emphasis on upfront edits reduced the number of billings.
5. Percent of net debt (billings less adjustments) that did not get protested received within 365 days	60%	77.7%	
6. Costs as percent of revenue collected by the Centralized Collection Unit	Less than or equal to 10%	7.1%	
7. Enforcement costs as a percent of revenue collected by the Tax Gap and Compliance Services teams	Less than or equal to 10%	10.7%	
8. Percent of individual income tax returns filed electronically	Maintain at least 88% of individual income tax returns filed electronically	91.0%	

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FY 2017**

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Core Function: Revenue Compliance and Collection

Tax Management Division:			
Compliance Services:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of non-filer revenue established during the fiscal year that is collected	Collect 20% of non-filer revenue established during the same fiscal year	17.7%	
2. Percent of individual income tax known due collected	95% of individual income tax known due collected within 3 years of the original due date	97.3%	

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Core Function: Revenue Compliance and Collection

Business Services Division:			
Processing Services:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of cancellations, change requests, and registrations processed in 15 days	85% of change requests, cancellations, and registrations will be processed within 15 days of receipt by the Department	83.0%	
2. Percent of paper payments processed in 5 days	95% of all paper payments will be processed within 5 days of receipt by the Department	75.7%	
Business Services Division:			
Human Resources:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Employee turnover rate	Annual turnover rate below 9.0%	9.0%	

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Core Function: Revenue Compliance and Collection

Business Services Division:			
Appeals Services and Taxpayer Services:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of protests resolved informally	Resolve 40% of protests filed prior to calendar year 2014 informally	24.6%	The Department continues to take steps to improve the protest process regarding older protests.
2. Percent of taxpayers filing a protest contacted within 12 months of receipt of the filing	Respond to 100% of new protest filings within 12 months of filing	57.9%	The Department continues to look for opportunities to improve efficiency in the protest process, including the timeliness of initial outreach to taxpayers.
3. Percentage of calls resolved at first contact	85%	93.6%	
4. Overall customer satisfaction with taxpayer services	Score of 3.5 on a scale of 1 to 5	4.2	
5. Aggregate count of education outreach (Live presentations, GovDelivery posts, and count of viewers of webinars, You Tube videos)	19,925	21,175	
6. Number of tweet recipients, new Twitter followers, and Facebook likes to Department social media communications	50,900	65,650	

**Agency Performance Plan Results
FY 2017**

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Core Function: Research, Analysis, and Information Management

Research and Analysis Division:			
Tax Research and Program Analysis Section:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of tax credit awards administered by the IDR issued within 60 days of application	80% of tax credit awards issued within 60 days of complete application	16.7%	The Department continues to move paper processes to online processes that will create additional efficiencies in the awarding process. However, delays result when taxpayers fail to provide all necessary information and when Department resources are pulled to other projects.
2. Ratio of visualizations created and downloads of data sets created by the Department and posted on data.iowa.gov during the year	Benchmark	1:297	
3. Percent of high priority fiscal estimates submitted to legislative Services Agency timely	75% of high priority fiscal estimates completed in five days	86.1%	

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FY 2017**

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Core Function: Research, Analysis, and Information Management (continued)

Research and Analysis Division:			
Tax Research and Performance Analysis Section:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
4. Percent of tax credit claims verified timely	100% of claims verified within 2 years of filing	NA	With the migration of the claims verification processes to Tax Credit Award, Claim, & Transfer Administration System occurring late in FY 2017, necessary data are not available to calculate this measure for this fiscal year.
5. Accuracy of the Iowa economic forecasts provided to the Revenue Estimating Conference	The mean absolute error for the economic forecasts provided to the Revenue Estimating Conference will be less than or equal to 5%	1.5%	
6. Local Option Sales Tax initial estimates	90% of initial jurisdictions' distribution estimates will be within 10% of target distributions (95% of actual collections)	88.0%	

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FY 2017**

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Core Function: Research, Analysis, and Information Management (continued)

Research and Analysis Division:			
Tax Research and Performance Analysis Section:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
7. Local Option Sales Tax Final Estimates	90% of revised jurisdictions' distributions will be within 5% of target distributions (95% of actual collections)	87.0%	
8. Accuracy of current fiscal year tax credit forecasts actual claims by tax credit type	The weighted mean absolute error for the current fiscal year tax credit March forecasts will be less than or equal to 10% of the actual claims measured the following March	9.9%	
9. Accuracy of current fiscal year aggregate tax credit claim forecast to actual claims	65% of current fiscal year tax credit March forecasts are within 20% of actual claims measured the following March	50.0%	The Department continues to refine forecasting techniques to provide more accurate forecasts of tax credit claims.

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Core Function: Research, Analysis, and Information Management (continued)

Research and Analysis Division:			
Performance Analysis Section:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Implement key performance indicators (KPIs) to monitor the Department's current goals	100% of the Department divisions have KPIs in place that monitor the Department's current goals	100.0%	